

109TH CONGRESS
2D SESSION

S. 3887

To prohibit the Internal Revenue Service from using private debt collection companies, and for other purposes.

IN THE SENATE OF THE UNITED STATES

SEPTEMBER 11, 2006

Mr. DORGAN (for himself, Mrs. MURRAY, Ms. MIKULSKI, Mr. LEAHY, Mrs. FEINSTEIN, Mr. AKAKA, Mr. KERRY, Mr. KENNEDY, and Mr. LIEBERMAN) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To prohibit the Internal Revenue Service from using private debt collection companies, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. PROHIBITION ON USE BY INTERNAL REVENUE**

4 **SERVICE OF PRIVATE DEBT COLLECTORS.**

5 (a) FINDINGS.—Congress finds the following:

6 (1) The Internal Revenue Service announced
7 plans to outsource part of its tax debt collection re-
8 sponsibilities to private debt collection companies be-
9 ginning on September 7, 2006.

1 (2) The Internal Revenue Service intends to
2 turn over confidential information involving over
3 2,500,000 taxpayer accounts to 10 private compa-
4 nies for debt collection purposes when its plan is
5 fully implemented.

6 (3) Recent evidence continues to suggest that
7 the Internal Revenue Service does not have adequate
8 systems in place to ensure that taxpayer information
9 shared with private debt collection companies is
10 properly secured and that such information will not
11 be accessible to those who would misuse such infor-
12 mation.

13 (4) During the initial phase of its plan, the In-
14 ternal Revenue Service has agreed to pay very large
15 commissions of 21 to 24 percent of the amount of
16 tax debt collected by 3 private debt collection compa-
17 nies on cases that the Internal Revenue Service con-
18 siders relatively simple.

19 (5) The Internal Revenue Service failed miser-
20 ably when it attempted a similar tax debt collection
21 privatization plan in 1996 and found that private
22 debt collectors harassed many taxpayers, violated
23 Federal debt collection laws, and did not properly se-
24 cure sensitive taxpayer information as required by
25 law.

1 (6) The use of Internal Revenue Service em-
2 ployees to collect tax debt would cost only 3 cents
3 for every dollar collected while the use of private
4 debt collectors would cost almost 25 cents for every
5 dollar collected.

6 (7) The current National Taxpayer Advocate,
7 an independent voice in the Internal Revenue Service
8 for taxpayers, has called this initiative an exercise in
9 futility and vastly more expensive than the Internal
10 Revenue Service ever imagined.

11 (8) The National Taxpayer Advocate has also
12 warned Congress that private debt collection compa-
13 nies operating under rules of profit maximization
14 could have less incentive to provide important tax-
15 payer rights training to their employees.

16 (9) The collection of tax revenue is a core func-
17 tion of the Internal Revenue Service and appropriate
18 Internal Revenue Service staffing should be assigned
19 to this function to achieve debt collection objectives.

20 (10) Taxpayers have every right to expect the
21 Internal Revenue Service to keep their tax return in-
22 formation confidential and be assured that those
23 who collect taxes are not part of a money-making
24 venture with profit motive as the overriding prin-
25 ciple.

1 (11) The Taxpayer Advocacy Panel, a nation-
2 wide advisory group appointed by the Secretary of
3 the Treasury to improve the responsiveness of the
4 Internal Revenue Service to the needs of taxpayers,
5 recently called on the Internal Revenue Service to
6 abandon all plans to outsource any taxpayer debts
7 and to restrict collection activities to properly
8 trained and proficient Internal Revenue Service per-
9 sonnel.

10 (12) In June 2006, the United States House of
11 Representatives overwhelmingly passed a fiscal year
12 2007 spending bill funding the Internal Revenue
13 Service, that included language prohibiting the In-
14 ternal Revenue Service from using any of such funds
15 for its private tax debt collection initiative.

16 (b) PROHIBITION ON USE OF PRIVATE DEBT COL-
17 LECTORS.—Notwithstanding section 6306 of the Internal
18 Revenue Code of 1986, the Internal Revenue Service shall
19 suspend immediately and indefinitely its plan to use pri-
20 vate debt collection companies, and no funds made avail-
21 able to the Internal Revenue Service for fiscal year 2006
22 and in any subsequent fiscal years shall be used to enter
23 into, renew, extend, administer, implement, enforce, or

- 1 provide oversight of any qualified tax collection contract
- 2 (as defined in section 6306(b) of such Code).

